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S E C R E T SECTION 01 OF 04 HARARE 000178

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AF/S FOR B. NEULING
NSC FOR SENIOR AFRICA DIRECTOR C. COURVILLE
AFR/SA FOR E. LOKEN
COMMERCE FOR BECKY ERKUL

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TAGS: [PGOV](#) [PREL](#) [ECON](#) [EFIN](#) [Z1](#)

SUBJECT: GONO ON POLICY FRUSTRATIONS, SUCCESSION TENSIONS,
COLLAPSE

REF: (A) HARARE 127 (B) HARARE 98

Classified By: Ambassador Christopher Dell under Section 1.4 b/d

Summary

[11.](#) (S) In a February 10 meeting with the Ambassador, Reserve Bank Governor Gideon Gono bemoaned the GOZ's unwillingness to address deepening corruption, fiscal indiscipline and parastatal inefficiencies. Depicting himself as under seige politically, he said the leadership had talked him into withdrawing the resignation he submitted earlier in the week. He conceded that the country was essentially at a tipping point economically, and implied that his contradictory GOZ economic policies were propelling the country toward the precipice -- a precursor to real change. The Governor confided that Mugabe appeared to be deteriorating mentally and losing his capacity to balance factional interests. Stressing his interest in playing a central role in Zimbabwe's future, Gono emphasized his independence from ruling party factions and committed to keep in touch with us as developments unfolded. End summary.

Under Seige for Telling Truths

[12.](#) (C) In his spacious 22nd floor office atop the glistening Reserve Bank building, Gono portrayed himself as a man under attack from all sides for the honesty of his policy prescriptions. The ruling elite all "accuse me of carrying the water of the IMF, the white farmers, the Americans; only the man in the street embraces me," he maintained.

[13.](#) (C) Gono said his principal offense was to boldly attack corruption at the highest levels publicly and privately. He cast mining sector corruption as "out of this world" and showed the Ambassador a confidential report on gold that implicated senior officials (unnamed) in siphoning off production sufficient to reduce official output from 22 tons in 2004 to 12 tons in 2005. He said he had delivered several seizures of senior officials' illegal gold - the largest at 65 lbs. - to Minister for Anti-Corruption (and for State Security and for Lands) Mutasa, who had taken no action. He estimated that corruption in gold alone was costing at least USD 250 million a year - enough to feed, fuel and medicate the nation for months.

[14.](#) (C) Gono complained that ag sector corruption continued unabated despite his high-profile advocacy against it; the nation's largest coffee-grower (with 30 percent of national output) was the latest to be invaded, he reported. The elite who took farms assumed no liability or risk, each of which was essentially transferred to the fiscus on the backs of taxpayers. In sum, corruption was a fundamental "unfairness" and principal impediment to economic recovery.

[15.](#) (C) According to Gono, his "Operation Tell the Truth" was meant to underscore to the party leadership that high-level corruption was glaringly obvious to the public and severely damaged the party leadership's credibility across the board. He went over a long list of ministers, governors, senior police/military officials, NGOs, and private sector players with whom he had consulted and sought support. Many expressed support and yet key policies were never carried out.

Economics Defeated by Politics

[16.](#) (C) Further on the economic front, Gono quickly went down a list of issues, essentially echoing points

elaborated in his recent monetary policy statement (ref B). The Governor acknowledged the need for moving the Bank's quasi-fiscal activities transparently to the budget as prescribed by the IMF. Political realities, however, dictated for now that the Bank rush from one patch-up job to another as the economy continued its downward spiral. Parastatals represented a fundamental conundrum between irreconcilable economic and political imperatives. He reiterated his commitment to refurbish Zimbabwe's relations with the IFIs and the international community but conceded the leadership's insufficient political will to support his commitment. Gono concluded that Zimbabwe's economic problems were 85 percent political.

Inflation Tipping Point

17. (C) Regarding inflation - "still public enemy number one" - Gono said he advised the cabinet not to worry about how high it would go; they should instead realize that they would have no country left to rule if the current situation continued. Referring to Malcolm Gladwell's book, *The Tipping Point*, Gono said his duty was to advise the leadership that growing hysteria about hyperinflation and the economy's irrecoverability could prove to be a tipping point. (Later, in private, he admitted to the Ambassador that inflation was actually well above 1000 percent and he was purposefully suppressing the numbers to "avoid creating panic.")

Resignation Rejected

18. (C) Gono disclosed that his frustrations led him to submit his resignation February 6. He had spent much of the week meeting with Mugabe, the presidium, Mutasa and other cabinet officials, finally being persuaded just the morning of his meeting with the Ambassador to stay on.

Lurching Toward a Post-Mugabe Zimbabwe

19. (S) In a subsequent 30-minute "four-eyes" exchange apart from note-takers, the Ambassador observed that Gono's often contradictory, even counter-productive, policies and public blasts against the elite's misbehavior could be interpreted as a deliberate attempt to undermine the leadership's credibility and hasten economic collapse. Jumping out of his seat, Gono grabbed the Ambassador's hand and exclaimed "This proves you are not na e!" Gono agreed that ongoing economic and political developments all served as foundation for a post-Mugabe dispensation that had yet to be worked out. He observed that economic distress impelled a perceived need for change but factional infighting was delaying the succession for which all were posturing. He said that Mugabe's wife had confided to him that the President was "out of it" about 75 percent of the time and she wanted him to step down.

110. (S) What was to follow Mugabe remained murky, Gono maintained. Mugabe had personally disclosed to Gono his doubts about Vice-President Joyce Mujuru's capacity to hold the country together. Gono confided further that Joyce herself had recently exploded to Mugabe, complaining about perceived slights and asserting her independence from her husband, ex-army chief Solomon "Rex" Mujuru. Full of fear and loathing, the inner circle was increasingly beyond Mugabe's capacity to control: wild-card Mutasa was at odds with ambitious Emmerson Mnangagwa, who was countering kingmaker Solomon Mujuru, who didn't get along with Defense Forces Chief Chiwenga, etc. Gono cautioned against assuming anything about individual loyalties in the ruling party's opaque factional battles since ethnicity, clan, totem, personal ambition and old rivalries created a very complex and crosscutting web of ties. Musing aloud, Gono said the best solution might be a "junta" that attempted to balance all these interests in a collective leadership.

111. (S) Responding to the Ambassador's inquiry about pivotal pragmatic players in a post-Mugabe ZANU-PF, Gono, speaking sotto voce, mentioned politburo member and ex-Finance Minister Simba Makoni and Party Chairman John Nkomo. On a scrap of paper he wrote down "Didymus Mutasa" and "(Minister of Agriculture) Made" as two players whom he understood could be allowed no place in a post-Mugabe government. Gono said he himself remained independent from party factions - "equally distrusted by all," he joked - but communicated with leaders from all factions in both parties. He emphasized that in any event he wanted to play a central role in the nation's social, economic and political future. At the same time, he stressed that, as a rags-to-riches self-made man, he had the confidence to "walk away from it all" if necessary.

12. (S) In closing, the Ambassador underscored that Zimbabwe was without outside help and beyond the point of being able to engineer its own recovery - a tipping point in itself. We all knew the only places from which such support would be forthcoming, but such help would be predicated on a firm commitment to political and economic reform. For its part, the USG did not desire Zimbabwe's further implosion and stood ready to work with the GOZ, including a ZANU-PF government, on national recovery - but only once it was irrevocably on a path to real political and economic reform. The choice was the ruling party's: continue on its self-destructive path and be further squeezed by the international community, or redirect itself constructively and receive international support. The country needed Gono and other pragmatists, despite political difficulties, to be advocates for and ultimately deliver meaningful change, the Ambassador concluded. Gono expressed relief at this approach and promised to stay in touch.

Comment

13. (S) "Tipping points" (Gono's unprompted comments echoed his remarks to the IMF, ref A) are fast becoming the fulcrum for political analysis outside and inside the ruling party in Zimbabwe. Just how close Zimbabwe is to a tipping point remains unclear but it is undeniably edging ever closer to the brink. Such discussions helpfully reinforce the perceived need for change and the imminence of succession - thus fueling what may become a self-fulfilling prophecy. Gono himself may well have concluded that, in view of Mugabe's refusal to consider desperately needed change, the shortest path to recovery (and power for Gideon Gono, of course) is through collapse. Although this may be a touch conspiratorial, it does help explain some of Gono's seemingly "irrational" policies of the last six months, including the expenditure of foreign exchange badly needed for critical imports on repayment of Zimbabwe's IMF arrears.

DELL